

**DRAFT**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**I. D. #4743**

**RESOLUTION E-3940**

**July 21, 2005**

**R E S O L U T I O N**

Resolution E-3940. This Resolution approves Southern California Edison's (SCE) request to expand their Air Conditioning Cycling Program (ACCP) by an additional 30,000 control devices, and grants SCE the authority to use the \$10.319 million in unspent funds which were collected for the Smart Thermostat Pilot Program to cover the ACCP expansion and the 2005 on-going Smart Thermostat Program costs, and to use the remaining balance to off-set the demand response sub-account of the Advance Metering and Demand Response Memorandum Account (AMDRMA).

By SCE Advice Letter (AL) 1875-E/1875-E-A filed on March 8, 2005 and June 7, 2005, respectively.

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**SUMMARY**

This Resolution approves Southern California Edison's request to expand their Air Conditioning Cycling Program (ACCP) by an additional 30,000 control devices, beyond the expansion authorized by Decision (D.) 05-01-056, with a budget of \$7.5 million.

This Resolution grants SCE the authority to use the \$10.319 million in unspent funds collected for the Smart Thermostat Program to cover the ACCP expansion and the 2005 on-going Smart Thermostat Program costs, and to use the remaining balance to off-set the demand response sub-account of the Advance Metering and Demand Response Memorandum Account (AMDRA).

This Resolution also grants SCE the authority to recover the incentive payments for the ACCP expansion, estimated at \$6 million, through their Base Revenue Requirement Balancing Account (BRRBA).

## **BACKGROUND**

**D.05-01-056 denied SCE's request to expand its Energy Smart Thermostat Program and approved SCE's proposal to expand its ACCP by an additional 31,000 to 38,000 customers through the summer of 2005 with a budget of \$7.65 million**

D.05-01-056 denied SCE's request to expand their Energy Smart Thermostat Program by 5,500 units primarily because SCE did not provide any results or analysis of its 2004 program to justify the expansion<sup>1</sup>. The Commission however approved the following program modifications: 1) the temperature trigger was replaced with a system reliability trigger, 2) the incentive payment was decreased to \$100 per year, and 3) the incentive deduction for overrides was reduced to \$5 per event. The Commission also authorized a budget of \$1.779 million to cover the 2005 on-going program costs.

D.05-01-056 also approved SCE's request to expand their ACCP by an additional 31,000 to 38,000 customers through the summer of 2005 with a budget of \$7.65 million, excluding incentives.

**Via its advice letter filing, SCE again requested authority to expand its Energy Smart Thermostat Program (Smart Thermostat Program) by an additional 5,500 thermostat units using unspent funds authorized in D.01-03-073. SCE withdrew its request in its supplemental Advice Letter filing.**

On March 8, 2005, Southern California Edison (SCE) filed Advice Letter (AL) 1875-E requesting authority to expand Smart Thermostat Program by an additional 5,500 thermostat units during the summer 2005 at a cost of \$3.3 million. SCE proposed to use unspent funds authorized in D.01-03-073 for the Smart Thermostat Program to cover the program expansion.

D.01-03-073 authorized the Smart Thermostat Program with an annual funding of \$5.94 million for four years through the end of 2004. SCE reports that it has accumulated \$10.319 million in unspent funds, collected for the Smart Thermostat Program, which it

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1. SCE in Advice Letter 1875-E submitted its 2004 program impact evaluation report for its Energy Smart Thermostat Program. This report however has not been officially reviewed or vetted by any parties participating in the demand response rulemaking (R.) 02-06-001.

has transferred to its Advanced Metering and Demand Response Memorandum Account (AMDRMA).

**SCE amended its filing by requesting authority to expand their ACCP by an additional 30,000 devices and to use the Smart Thermostat Program unspent funds to cover the costs of expanding its ACCP, the 2005 on-going Smart Thermostat Program costs, and use any remaining balance to off-set other demand response related costs recorded in the AMDRMA**

On June 7, 2005, SCE supplemented AL 1875-E replacing its original filing in its entirety and withdrawing its proposal to expand the Smart Thermostat Program. SCE instead proposes to expand their ACCP by 30,000 devices during 2005 in addition to the program expansion authorized in D.05-01-056. SCE requests authority to use up to \$7.5 million of the Smart Thermostat Program unspent funds to cover the cost of the ACCP expansion, excluding program incentives. The program incentives, which are estimated at \$6 million, would be recovered through the BRRBA.

SCE also requests authority to use approximately \$2 million of the Smart Thermostat Program unspent funds to cover the 2005 on-going Smart Thermostat Program expenditures and to apply the remaining balance to off-set other demand response related costs recorded in the AMDRMA.

## **NOTICE**

Notice of AL 1875-E and 1875-E-A was made by publication in the Commission's Daily Calendar. SCE states that a copy of their AL was mailed and distributed in accordance with Section III-G of General Order 96-A.

## **PROTESTS**

No protests were filed on AL 1875-E and 1875-E-A.

## **DISCUSSION**

**Energy Division recommends authorizing the ACCP expansion by an additional 30,000 control devices, beyond the expansion authorized in D.05-01-056, with a budget of \$7.5 million using the Smart Thermostat Program unspent funds**

The ACCP is offered to both residential and small Commercial and Industrial (C&I) customers under tariffs for either Base or Enhanced program. The ACCP has approximately 121,800 residential customers participating in program with an estimated load response capability of about 180 MWs. Customers participating in the ACCP agree to have their air conditioning unit(s) turned off or cycled during system emergencies (stage 2) in the summer season. Each customer selects their A/C cycling percentage option and the incentive is based on this selection<sup>2</sup>.

D.05-01-056 authorized a similar ACCP expansion of an additional 31,000 to 38,000 customers for the summer of 2005 and a budget of \$7.65 million, excluding incentives. SCE reports that it plans to install as many as 35,000 A/C control devices by the end of July and as many as 43,000 A/C devices by the end of 2005 using base rate funding obtained through their General Rate Case and the budget authorized in D.05-01-056. SCE has also determined that further expansion of the ACCP is feasible.

SCE estimates that a budget of \$7.5 million will be needed for the additional ACCP expansion (excluding incentives): \$1.6 million for marketing/communications, \$2.1 million for equipment, \$3.4 million for installation, \$300,000 for administration, and \$100,000 for installation premiums and manual billing necessary to get customers on line. Energy Division supports authorizing a budget of \$7.5 million for the proposed ACCP expansion as the cost estimates provided by SCE are consistent with the budget approved for ACCP expansion in D.05-01-056.

Energy Division has reviewed SCE's ACCP expansion proposal and supports it given the characteristics the program has to offer, consistent with the Commission's rationale for authorizing the initial ACCP expansion in D.05-01-056<sup>3</sup>: 1) the ACCP is a reliable emergency load reduction program that can be targeted geographically, 2) the marginal cost of installing the controllers is fairly small, 3) the ACCP targets air conditioning which is a major component of peak demand, and 4) the ACCP expansion will provide an additional 42 MWs (average estimate based on the size of the air conditioning units

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2. The base ACCP is limited to 15 cycling events per year and the enhanced program has no limit on the number of events that may be called. Each event is limited to 6 hours and customers receive their incentive payment whether an event is called or not.

3. D.05-01-056, pg. 42

and customers cycling option selection) of load relief. These types of program characteristics are highly desirable in providing load relief during emergency situations, primarily because it targets air conditioning load which is a major component of peak demand. Energy Division therefore recommends approving SCE's proposed incremental ACCP expansion, with the condition that all 30,000 ACCP devices be installed, even if the installation runs beyond 2005.

SCE currently recovers the costs of the ACCP incentives payments through their Base Revenue Requirement Balancing Account (BRRBA) and it proposes to continue to use the same cost recovery mechanism for recovering the ACCP expansion incentive payments. Energy Division does not see a reason to change the current cost recovery mechanism therefore recommends granting SCE the authority to recover the incentive payments for the ACCP expansion through their BRRBA.

Energy Division also supports SCE's request to use approximately \$2 million from the unspent funds to cover the 2005 on-going program costs. D.05-01-056 authorized a budget of \$1.779 million for the 2005 Smart Thermostat Program expenditures, which primarily gives SCE the authority to book these costs into their AMDRMA for future rate recovery. SCE also requests authority to use \$200,000 of the unspent funds to cover 2004 incentive payments that are being paid in 2005 because some of the customers did not provide their tax identification. Energy Division supports the idea of applying the unspent funds, which were authorized and collected for the Smart Thermostat Program, towards the program the funds were intended for. Energy Division therefore recommends granting SCE's request.

SCE also requests authority to use any remaining unspent funds to off-set other demand response related costs in their AMDRMA, which is estimated to be approximately \$840,000. Energy Division does not oppose this request given that it would be off-setting expenditures that are demand response related.

## **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g) (3) provides that this 30-day period may be reduced or waived pursuant to Commission adopted rule.

The 30-day comment period has been reduced in accordance with Rule 77.7(g). In this case, SCE the only party to AL 1875-E and 1875-E-A has agreed to a reduced comment period in order for the Draft Resolution to be considered at the next Commission meeting.

## **FINDINGS**

1. On March 8, 2005, Southern California Edison (SCE) filed Advice Letter (AL) 1875-E requesting authority to expand Energy Smart Thermostat (Smart Thermostat) Program by an additional 5,500 thermostat units during the summer 2005 at a cost of \$3.3 million.
2. On June 7, 2005, SCE supplemented AL 1875-E replacing its original filing in its entirety and withdrawing its proposal to expand the Smart Thermostat Program.
3. SCE, in its supplemental filing proposes to expand their Air Conditioning Cycling Program (ACCP) by an additional 30,000 control devices during 2005 with an estimated budget of \$7.5 million.
4. SCE requests authority to use the \$10.319 million in unspent funds to cover the 2005 on-going Smart Thermostat Program and the ACCP expansion costs, and to use any remaining balance to off-set other costs recorded in the AMDRMA.
5. SCE's proposed budget of \$7.5 million for the ACCP expansion is consistent with the budget authorized in D.05-01-056 for a similar expansion and should be authorized.
6. The ACCP is a reliable emergency load reduction program that can be targeted geographically with a fairly small marginal cost of installing the controllers.
7. The ACCP expansion will provide an estimated average load reduction of 42 MWs.
8. These types of ACCP characteristics are highly desirable in providing load relief during emergency situations.
9. Energy Division recommends approving SCE's proposed incremental ACCP expansion, with the condition that all 30,000 ACCP devices be installed, even if the installation runs beyond 2005.
10. The ACCP incentives payments are recovered through SCE's Base Revenue Requirement Balancing Account (BRRBA); SCE proposes to use the same cost recovery mechanism to recover the ACCP expansion incentive payments.
11. Energy Division supports continuing using the BRRBA to recover the incentive payments for the ACCP expansion and recommends granting SCE's request.
12. SCE requests authority to use approximately \$2 million of the Smart Thermostat unspent funds to cover the \$1.779 million authorized in D.05-01-056 for the 2005 on-

going Smart Thermostat program costs plus \$200,000 to pay for 2004 customer incentives being paid in 2005.

13. Energy Division supports granting SCE's request given that the unspent funds were collected for the Smart Thermostat Program.
14. SCE requests authority to use the remaining balance of the unspent fund, approximately \$840,000, to off-set other demand related costs in their AMDRMA. Energy Division does not oppose granting SCE's request.

**THEREFORE IT IS ORDERED THAT:**

1. SCE is authorized to expand its Air Conditioning Cycling Program (ACCP) by an additional 30,000 devices, beyond program expansion authorized in D.05-01-056, with a budget of \$7.5 million.
2. SCE is authorized to use the \$10.319 million in unspent funds collected for the Smart Thermostat Program, to cover the ACCP expansion and the 2005 on-going Smart Thermostat Program costs, and to apply the remaining balance to off-set other demand response related costs recorded in the AMDRMA.
3. SCE is authorized to recover the ACCP expansion incentive payments through their Base Revenue Requirement Balancing Account (BRRBA).

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 21, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

June 24, 2005

ID#4743  
RESOLUTION E-3940  
July 21, 2005

TO: PARTIES TO SOUTHERN CALIFORNIA EDISON (SCE) ADVICE LETTER  
1875-E/1875-E-A

Enclosed is draft Resolution Number E-3940 of the Energy Division, which is scheduled for consideration at the July 21, 2005 Commission meeting. The Commission may vote on this Resolution at that time or it may postpone a vote until a later meeting. When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

In accordance with Rule 77.7(g), the 30-day comment period has been reduced. SCE, the only party to Advice Letter 1875-E and 1875-E-A has agreed to shorten comment period. Comments on the draft Resolution are due by July 13, 2005. Comments shall be served on parties, as outlined below.

1) An original and two copies, along with a certificate of service to:

Jerry Royer and Moises Chavez  
Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

2) Parties to SCE AL 1875-E/1875-E-A

3) All Commissioners

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft Resolution, a table of authorities and an appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal or technical errors in the proposed draft Resolution.

Replies to comments on the draft resolution may be filed (i.e., received by the Energy Division) on July 18, 2005, and shall be limited to identifying



misrepresentations of law or fact contained in the comments of other parties. Replies shall not exceed five pages in length, and shall be filed and served as set forth above for comments.

Late submitted comments or replies will not be considered.

An accompanying declaration under penalty of perjury shall be submitted setting forth all the reasons for the late submission.

Please contact Moises Chavez of the Energy Division at 415-703-1851 if you have questions or need assistance.

Sincerely,

Sean Gallagher  
Director  
Energy Division

Enclosure: Service List

CERTIFICATE OF SERVICE

**CERTIFICATE OF SERVICE**

I certify that I have by electronic mail this day served a true copy of Draft Resolution E-3940 on all parties in these filings or their attorneys as shown on the attached list.

Dated June 24, 2005 at San Francisco, California.

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*Jerry Royer*

**NOTICE**

Parties should notify the Energy Division, Public Utilities  
Commission, 505 Van Ness Avenue, Room 4002  
San Francisco, CA 94102, of any change of address to  
insure that they continue to receive documents. You  
must indicate the Resolution number on the service list  
on which your name appears.

Advice Letter 1875-E/1875-E-A Service List

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